
EXHIBIT U

TESTIMONY OF WILLIAM C. PACKER

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2021-3027268

AQUA STATEMENT NO. 1

**DIRECT TESTIMONY OF
WILLIAM C. PACKER**

**With Regard To
A General Overview of the Transaction
Financial and Legal Fitness of Aqua
APA Provisions
Public Benefits of the Transaction
Section 1329
Section 2102**

August 2021

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	OVERVIEW OF THE PARTIES AND THE PROPOSED TRANSACTION	6
III.	FITNESS TO OWN AND OPERATE THE SYSTEM.....	8
IV.	FUNDING FOR THE PROPOSED TRANSACTION	9
V.	POST-ACQUISITION RATES	10
VI.	PUBLIC BENEFITS OF THE PROPOSED TRANSACTION	11
VII.	SECTION 1329 FAIR MARKET VALUE CONSIDERATIONS	18
VIII.	SECTION 2102 APPROVAL	21
IX.	CONCLUSION.....	22

AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is William C. Packer. My business address is 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010.

Q. By whom are you employed and in what capacity?

A. I am employed by Essential Utilities, Inc. ("Essential"), as Vice President, Regulatory Accounting and Regional Controller. In this position, I am the Regional Controller of Aqua Pennsylvania, Inc. ("Aqua PA") and Aqua New Jersey, Inc. ("Aqua NJ"). Additionally, I oversee rate issues for all subsidiaries of Essential. Aqua PA is the parent company to Aqua Pennsylvania Wastewater, Inc. ("Aqua" or the "Company").

Q. Please provide a brief description of your education and work experience.

A. I graduated from Richard Stockton College of New Jersey in 1998 with a Bachelor of Science degree in Business Studies with a concentration in Accounting. In 1998, I joined GE Capital Mortgage Services Inc. as a Staff Accountant. In September 1999, I joined New Jersey American Water Company ("American") as a General Staff Accountant responsible for financial statement preparation, account reconciliation, financial support for rate cases, and account analysis. In September 2001, I was transferred to American's Service Company, in its Shared Services operation located in Mt. Laurel, New Jersey. I was employed there for four years in several roles, including Senior Fixed Assets/Job Cost Accountant, Financial Support Analyst, and Accounting Supervisor Fixed Assets. At

AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

1 American, I had the opportunity to support the rate-making process by working closely
2 with operating subsidiaries in 23 states, preparing schedules and answering interrogatories.

3 In March 2005, I joined Aqua NJ, where I served as Assistant Controller until
4 December 2006, when I transferred to Aqua America, Inc. In July 2008, I was promoted
5 to the position of Mid-Atlantic Manager of Rates. In April 2011, I became the Manager of
6 Rates and Planning – Northeast Divisions. I was promoted to Regional Controller for Aqua
7 PA and Aqua NJ subsidiaries in October 2012. In April 2017, I was promoted to Vice
8 President – Controller of Aqua PA. In 2020, I was promoted to my current position of
9 Vice President, Regulatory Accounting and Regional Controller where I have additional
10 responsibilities to oversee rates and regulatory accounting matters of Essential.

11 In addition to my corporate experience, I served three terms as a Councilman in the
12 Borough of Woodbury Heights, New Jersey. In that role, I served as the Chairman of the
13 Finance, Administration, and Personnel committee; in addition, I served as a member of
14 the Public Safety and Streets/Roads committees.

15 I was elected as Mayor of the Borough of Woodbury Heights in November of 2018
16 and was sworn in on January 5, 2019. The Borough of Woodbury Heights is one of 565
17 municipalities in New Jersey and has a population of approximately 3,000 residents.

18
19 **Q. Have you testified before this Commission before?**

20 A. Yes, I have testified in several proceedings before the Pennsylvania Public Utility
21 Commission (“PUC” or the “Commission”), including Aqua PA’s petition to charge a
22 7.5% Distribution System Improvement Charge (“DSIC”) at Docket R-2008-2079310,
23 Aqua PA’s last three rate cases at Docket Nos. R-2009-2132019, R-2011-2267958, R-

AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

2018-3003558, and Aqua’s eight previous Section 1329 proceedings in Docket Nos. A-2016-2580061, A-2017-2605434, A-2018-3001582, A-2019-3008491, A-2019-3009052, A-2019-3015173, A-2021-3024267, and A-2021-3026132. I have also testified in various other proceedings before the Commission.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is as follows: (1) to provide a general overview of Aqua; (2) to provide a general overview of the proposed transaction (“Proposed Transaction”) between Aqua and Willistown Township (“Willistown” or the “Township”); (3) to describe Aqua’s technical, legal, and financial fitness to own and operate the system; and (4) to explain the benefits of the proposed transaction.

Q. Are you sponsoring any Exhibits with your testimony?

A. Yes. Attached to my testimony as Appendix A is a schedule showing the revenue deficiency and overall impact on customers of the Proposed Transaction.

Q. Are there any other witnesses submitting testimony with the Application?

A. Yes. In addition to my testimony, Aqua is submitting the following statements in support of the Application:

- Aqua Statement No. 2 – Direct Testimony of Mark J. Bubel, Sr. Mr. Bubel will provide testimony regarding the specifics of the system being acquired from an operations/engineering perspective.

AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

- 1 • Aqua Statement No. 3 – Direct Testimony of Sally Slook. Ms. Slook will provide
2 testimony regarding the background of the Proposed Transaction from
3 Willistown’s perspective and benefits of the Proposed Transaction.
- 4 • Aqua Statement No. 4 – Direct Testimony of Harold Walker III. Mr. Walker will
5 provide testimony regarding the appraisal conducted on behalf of the Company.
- 6 • Aqua Statement No. 5 – Direct Testimony of Jerome C. Weinert. Mr. Weinert will
7 provide testimony regarding the appraisal conducted on behalf of Willistown.

8

9 **Q. Has the Company filed an application with the Commission for regulatory approval**
10 **to acquire the wastewater system assets of the Willistown Sanitary Wastewater**
11 **Collection and Treatment System (the “System”)?**

12 A. Yes. Aqua filed its Application on August 3, 2021.

13

14 **Q. What is Aqua seeking in its Application?**

15 A. There are three requests. First, Aqua is requesting approval of the acquisition under
16 Section 1102 of the Pennsylvania Public Utility Code (the “Code”), 66 Pa. C.S. § 1102,
17 similar to many requests that come before the Commission. Second, pursuant to Act 12 of
18 2016 (“Act 12” or the “Act”), 66 Pa. C.S. § 1329, Aqua is seeking to utilize fair market
19 value for the determination of the ratemaking rate base of the System. Third, Aqua is
20 requesting that the Commission approve, if necessary, its acquisition agreement with
21 Willistown and the assignment of 19 contracts with municipalities under Section 507 of
22 the Code, 66 Pa. C.S. § 507. Fourth, Aqua is seeking approval under Section 2102, 66 Pa.

AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

1 C.S. § 2102, to the extent necessary, of the assignment of a contract to which Aqua
2 Resources, Inc. (“Aqua Resources”), an affiliate of Aqua, is a party.

3
4 **Q. What does Section 1329 require to be included in the Application?**

5 A. Section 1329 requires that the application include (1) copies of the two appraisals; (2) the
6 purchase price; (3) ratemaking rate base; (4) transaction and closing costs; and (5) the
7 proposed tariff. A rate stabilization plan could also be required if it is applicable to the
8 transaction.

9
10 **Q. Can you generally opine on the purpose of Section 1329 and the Commission’s view?**

11 A. Yes, as stated by the Commission:

12 Section 1329 works to: (1) provide certainty as to the value of
13 acquired utility property; (2) remove regulatory barriers to the
14 prudent sale of public water and wastewater assets; (3) protect a
15 Seller from having to offer public assets for sale at below-market
16 rates; and (4) allow a Buyer to recover market-based investment in
17 those public assets through regulated rates.”¹

18 I also agree with the Commission that Section 1329 “encourages a realistic approach to the
19 sale of public assets based upon the fair market value of those assets.”² Moreover, as
20 further explained by the Commission:

21 Section 1329 recognizes that no reasoned argument would propose
22 that these public assets are of marginal value simply because the
23 book value and the Commission’s traditional rate setting
24 methodology dictate as much. Rather, the valuation methods of
25 Section 1329 provide municipalities and authorities with a wholistic
26 recognition of the fair market value of the public assets they seek to
27 sell based on a balancing of accepted business valuation principles,
28 specifically, the cost, market, and income approaches. 66 Pa. C.S.

¹ *Implementation of Section 1329 of the Public Utility Code*, Docket No. M-2016-2543193 Tentative Supplemental Implementation Order at 4 (Sep. 20, 2018) (hereinafter “TSIO”).

² TSIO at 7.

AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

§ 1329(a). Thus, for sale purposes, Section 1329 works to value the public assets as the businesses they are as opposed to what their value might be under regulatory accounting for depreciated utility assets.³

Section 1329 enables a seller to price its public assets at a market value based on reasonable business valuation principles and enables a buyer to recover its investment in those public assets at that market-based value.⁴

Q. What does the Commission require for the approval of the certificate that utilizes Section 1329?

A. In its Final Implementation Order entered October 27, 2016, in Docket No. M-2016-2543193 (“Final Implementation Order”), the Commission referenced the checklist in the Tentative Implementation Order for items to include with the application for it to be processed in a six-month time frame. This checklist was subsequently updated in March 2017. The Commission released its Final Supplemental Implementation Order on February 28, 2019, in Docket No. M-2016-2543193, which included an updated checklist, standard data requests (“SDRs”), jurisdictional exceptions, and form testimony for Utility Valuation Experts (“UVEs”).

In this proceeding, Aqua has included references with the Checklist indicating where in the Application the relevant information is located.

II. OVERVIEW OF THE PARTIES AND THE PROPOSED TRANSACTION

Q. Please provide a general overview of Aqua PA and Aqua.

³ TSIO at 6.

⁴ TSIO at 7.

AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

1 A. Aqua PA is the second largest investor-owned regulated water/wastewater utility operating
2 in the Commonwealth of Pennsylvania. Aqua PA provides water and wastewater utility
3 service to approximately 488,000 customers, consisting of 443,000 water customers and
4 45,000 wastewater customers. Aqua PA employs approximately 600 highly trained utility
5 professionals to achieve its mission to provide safe, adequate, and reliable utility service at
6 reasonable rates. In addition, Aqua PA is one of eight regulated water and wastewater
7 subsidiaries of Essential, which brings to bear its own financial, technical, and managerial
8 resources to assist in our mission.

9 Aqua is a subsidiary of Aqua PA and is engaged in the business of collecting,
10 treating, transporting, and disposing of wastewater for the public. Aqua provides
11 wastewater service to approximately 45,000 customers in Adams, Bucks, Carbon, Chester,
12 Clarion, Clearfield, Delaware, Lackawanna, Luzerne, Monroe, Montgomery, Pike,
13 Schuylkill, Venango, and Wyoming Counties. Aqua brings extensive expertise in
14 providing wastewater service to citizens of Pennsylvania, and currently operates 39
15 wastewater treatment plants.

16
17 **Q. Please provide a description of Willistown.**

18 A. Willistown is a Pennsylvania second-class township. Willistown owns the System and
19 provides wastewater utility service to approximately 2,294 customers in Willistown. The
20 utility infrastructure being acquired includes, but is not limited to, the Penn's Preserve
21 Wastewater Treatment Plant ("WWTP"), collection and conveyance assets, pumping
22 stations, booster pump stations, manholes, and land and land rights. Please see Aqua
23 Statement No. 3, Direct Testimony of Ms. Slook, for a further description of the Township.

AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

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Q. Please provide an overview of the Proposed Transaction.

A. Aqua responded to a request for bids by the Township and was ultimately chosen as the successful bidder. After arms-length negotiations between Aqua and the Township, the Asset Purchase Agreement (“APA”) was signed and executed on January 20, 2021, providing for the sale of the assets, properties and rights of the wastewater system. The purchase price totaled \$17.5 million. According to the APA, the acquired customers will be charged the existing rates of Willistown upon closing, and for at least two years thereafter. Aqua’s tariff rules and regulations will apply following closing, and Willistown customers will be converted from quarterly to monthly billing.

III. FITNESS TO OWN AND OPERATE THE SYSTEM

Q. Please describe how the Company is legally fit to own and operate the System.

A. Aqua is a public utility operating under Commission granted certificates of public convenience. There are no pending legal proceedings challenging Aqua’s ability to provide safe and adequate service to customers.

Q. Please describe how the Company is financially fit to own and operate the System.

A. As I mentioned in my overview, Aqua PA, as parent company to Aqua, is a Class A water utility in the Commonwealth and the largest water/wastewater subsidiary of Essential, with total net utility plant assets of \$4.3 billion and annual revenues of \$509 million in 2020. Aqua PA also had operating income of approximately \$261 million and net income of \$187 million. Aqua PA’s cash flows from operations equaled approximately \$231 million.

AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

1 Aqua PA has an A rating from Standard and Poor's Rating Service and has approximately
2 \$1.825 billion in outstanding long-term debt at a weighted average interest rate of
3 approximately 4.03%. Aqua PA also utilizes low-cost long-term debt financing
4 instruments through the Pennsylvania Infrastructure Investment Authority
5 ("PENNVEST"), representing about 2% of Aqua PA's total debt portfolio. In addition to
6 Aqua PA's access to long-term debt, Aqua PA has its short-term credit facility of \$100
7 million and has access to equity capital as a subsidiary of Essential.

8 Aqua is a Class A wastewater utility in the Commonwealth, with total net utility
9 plant assets of \$350 million and annual revenues of \$32 million. In addition, Aqua, as a
10 subsidiary of Aqua PA, has access to all of Aqua PA's financing capabilities.

11
12 **IV. FUNDING FOR THE PROPOSED TRANSACTION**

13 **Q. Please explain how Aqua plans to fund the Proposed Transaction.**

14 A. The Proposed Transaction will be funded using existing short-term credit lines. The short-
15 term credit funding will be converted to a mix of long-term debt and equity capital shortly
16 after closing.

17
18 **Q. Do you anticipate the Proposed Transaction will affect Aqua PA's corporate credit
19 rating?**

20 A. No. The Company does not anticipate that the Proposed Transaction will affect Aqua PA's
21 corporate credit rating.

AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

1 **V. POST-ACQUISITION RATES**

2 **Q. Please explain the rate provisions in paragraph 7.03 of the APA.**

3 A. Under the provisions of Paragraph 7.03 of the APA, as of the day of closing, the Company
4 will charge the same base rates as those previously charged by the Township, and the
5 Company shall apply its then-existing miscellaneous fees and charges in the Company's
6 Tariff. The base rates shall not be increased until after the second anniversary of closing.
7 The Company is not taking responsibility for grinder pump maintenance, and therefore, the
8 \$50 grinder pump maintenance fee charged by the Township to Low Pressure Customers
9 will not be charged by Aqua.

10

11 **Q. What is a rate stabilization plan?**

12 A. A rate stabilization plan is defined in Section 1329(g) of the Code, 66 Pa. C.S. § 1329(g),
13 as a plan that will hold rates constant or phase rates in over a period of time after the next
14 base rate case.

15

16 **Q. Does the Application include a rate stabilization plan?**

17 A. No.

18

19 **Q. Does the Application include a proposed tariff that includes language that would**
20 **constitute a rate stabilization plan?**

21 A. No. The Company is proposing to implement the Township's current rates. There is no
22 language in Aqua's proposed tariff requesting that rates be held constant or phased in over

AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

1 a period of time after the next rate case. Section 7.03 of the APA, accordingly, does not
2 constitute a rate stabilization plan.

3
4 **Q. Are you requesting the implementation of a DSIC for Willistown customers at this**
5 **time?**

6 A. No. Following closing, Aqua intends to amend its Long-Term Infrastructure Improvement
7 Plan ("LTIIIP") to include Willistown in the LTIIIP and file the amended LTIIIP with the
8 PUC. The Company will include a request in that filing to initiate the DSIC to Willistown
9 customers as permitted by Section 1329.

10
11 **Q. Please explain how the Company will bill the Township's customers after closing.**

12 A. Currently, the Township bills their customers on a quarterly basis. The Company will
13 convert Willistown customers to monthly billing following closing.

14
15 **VI. PUBLIC BENEFITS OF THE PROPOSED TRANSACTION**

16 **Q. Please explain why the Proposed Transaction is in the public interest.**

17 A. The PUC has a long-standing record of support for consolidation/regionalization of
18 water/wastewater systems. The PUC understands that in doing so, the utility industry will
19 have a better chance to realize the benefits of better management practices, economies of
20 scale, and the resulting greater customer/environmental/economic benefits. The
21 Commission has previously stated that "acquisitions of smaller systems by larger more
22 viable systems will likely improve the overall long-term viability of the water and
23 wastewater industry. Additionally, these types of acquisitions will also enhance the quality

AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

1 of ratepayers' daily lives, promote community economic development, and provide
2 environmental enhancements.”⁵ Ultimately, these benefits inure to customers both existing
3 and acquired. The Proposed Transaction with Willistown is no exception to the principles
4 noted in the aforementioned policy statement, and Aqua PA has successfully acquired
5 numerous water/wastewater utilities in its over approximately 135 years of operation.
6

7 **Q. Please discuss the Company's track record of acquiring and improving wastewater**
8 **systems in the Commonwealth.**

9 A. Aqua currently provides utility service to approximately 45,000 wastewater customers in
10 the Commonwealth and has years of experience operating wastewater treatment and
11 collection systems in a safe, reliable and efficient manner. Moreover, Aqua has the
12 managerial, technical, and financial resources to continue to operate, maintain and improve
13 the Willistown System.

14 Aqua has acquired 16 wastewater systems over the past 10 years.⁶ Many of these
15 systems required significant investment to correct service and environmental issues. Other
16 systems did not need substantial capital investment. Aqua and Aqua PA are essentially the
17 compilation of smaller systems that have been acquired over the last 135 years and make
18 both utilities what they are today. The inherent diversification of systems and customers
19 provides a foundation of stability in the day to day, month to month, and year to year
20 operations of the utility, in that, they are all not requiring major capital investments at the

⁵ Pennsylvania Public Utility Commission, Final Policy Statement on Acquisitions of Water and Wastewater Systems, Docket No. M-00051926, Final Order at 18 (Aug. 17, 2006).

⁶ New Garden, East Norriton (2020); Cheltenham (2019); East Bradford, Limerick (2018); Tobyhanna, Avon Grove (2017); Emlenton, Honeycroft (2016); Bunker Hill (2015); Penn Township (2014); Treasure Lake (2013); and Sage Hill, Kidder Township, Beech Mountain, Village at Valley Forge (2012).

AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

1 same time. Thus, spreading the financial impacts over the long-term operations of the
2 utility. I would submit that if Aqua were permitted to acquire only non-viable systems,
3 rather than a mix of viable and non-viable, this would have a significant impact on its
4 existing customers' rates and service. Both types of systems, viable and non-viable, are
5 consistent with the Commission's policy statements regarding acquisitions. The
6 acquisition of the Willistown System will continue to address the Commission's supported
7 policy of consolidation and regionalization.

8
9 **Q. Did the Commonwealth Court refer to the Commission's policy of**
10 **consolidation/regionalization and Aqua's expertise in system operations and ability**
11 **to raise capital in its opinion in *McCloskey v. Pa. P.U.C.* addressing Aqua's transaction**
12 **with New Garden Township?**

13 A. Yes. Although I am not an attorney, I have read the Court's Opinion in the McCloskey
14 case. In its Opinion, the Court refers to Commission findings that "Aqua, as owner of
15 numerous water and wastewater systems in Southeastern Pennsylvania, has sufficient
16 expertise to operate [a] system and has the ability to raise capital to support [a] system"
17 and that the Commission "has a policy of consolidation and regionalization of its
18 wastewater assets that allows for increased maintenance, upgrade and expansion of public
19 sewer and water facilities."⁷ The Court concludes that the foregoing reasons are of the
20 type that the Pennsylvania Supreme Court in its *Verizon* decision held were sufficient to
21 meet the public benefit standard and that, accordingly, they "are substantial evidence to

⁷ *McCloskey v. Pennsylvania Pub. Util. Comm'n*, 195 A.3d 1055, 1065 (Pa. Commw. Ct. 2018).

AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

1 support the notion that there is a public benefit” for the transaction.⁸ This same analysis is
2 equally applicable in this proceeding and constitutes substantial evidence sufficient to
3 support the public benefit from the Proposed Transaction.
4

5 **Q. Will the Township’s customers benefit from the Proposed Transaction?**

6 A. Yes. The Township’s customers will become part of a larger scale, efficiently operated,
7 wastewater utility. The Company is already the owner and operator of the water systems
8 serving portions of Willistown. As such, the Company has key operations in nearby service
9 areas and will be able to assume the operations of the Willistown System, fold them into
10 the wastewater utility, which over time will likely yield further operating efficiencies and
11 improve long term viability as envisioned in the PUC policy statement. The operational
12 overlap between water and wastewater utility operations will provide the opportunity for
13 better coordination of capital activities throughout the Willistown service area. Utility
14 activities that involve road openings and restoration can be better aligned to result in less
15 disturbance to the Township as the Company executes capital improvements.

16 Additionally, the acquisition will not have any immediate impact on the rates of
17 either the Township’s customers or the existing customers of Aqua. The Company is
18 projecting less operating and maintenance costs under the Company’s ownership that will
19 likely be realized through reductions in costs for wastewater maintenance, as well as
20 efficiencies in administrative and general costs, such as insurance, auditing and legal,
21 among others. Specifically, referencing Willistown 2019 financial statements, Sewer Fund

⁸ *Id.*

AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

1 Operating Expenses were approximately \$1.88M, whereas, the Company is projecting
2 annual expenses of approximately \$1.75M or approximately 7% less.

3 Lastly, given the fact that there are meaningful investments needed in this system,
4 as noted in the testimony of Mark J. Bubel, Sr., Aqua Statement No. 2, the customers of
5 the System will benefit greatly from the Company's technical experience and fitness in
6 deploying resources towards capital improvements.

7
8 **Q. Will Aqua's existing customers benefit from the acquisition?**

9 A. Yes. The acquisition of the System will be an approximate 5% increase in Aqua's customer
10 base. By virtue of the Company's larger customer base, future infrastructure investments
11 across the state will be shared at a lower incremental cost per customer for all of Aqua's
12 customers.

13 The Willistown System renders the majority of their sewer rents on a per customer
14 basis, with some customers having more than one connection. As such, the total number
15 of connections per the township's records are approximately 2,458, which equates to
16 approximately \$7,120 purchase price per connection and is almost equal to the Company's
17 existing rate base per EDU, projected at approximately \$7,000. Given the similarities in
18 purchase price per connection to rate base per EDU, combined with the lower operating
19 cost I mentioned previously, the Willistown system characteristics demonstrate that there
20 are economies of scale that can be achieved as a result of this acquisition.

21 I note again that both Aqua and Aqua PA have developed into the utility they are
22 today by acquiring and operating smaller and mid-sized systems. This progression has
23 successfully happened over the last several decades, through the acquisition of both viable

AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

1 and non-viable systems. Over the long term, this process has benefitted both current
2 customers, acquired customers, and the Commonwealth.

3
4 **Q. Will acquired customers benefit from Aqua's customer service?**

5 A. Yes. Aqua and Aqua PA provides customer service through a toll-free number that
6 customers can call from 8:00AM-5:00PM EST for regular business. The same customer
7 service number houses the Company's 24/7/365 emergency response. Willistown
8 customers will also be able to take advantage of Aqua's online bill payment option,
9 including payment by text message, as well as the ability to sign up for notifications and
10 alerts to be sent to their email address or phone, allowing them to stay informed of events
11 impacting their service. Willistown customers will also have access to Aqua's customer
12 assistance programs.

13
14 **Q. Will the acquired customers benefit from customer billing and payment protections?**

15 A. Yes. Aqua has procedures in place under Chapter 14 of the Code, 66 Pa. C.S. 1401, *et seq.*,
16 that provide for billing, payment, collection, termination and reconnection of service,
17 payment arrangements, medical certifications, and formal and informal complaint
18 procedures. Aqua has customer care teams available to help resolve service and billing
19 issues, and has an established process and procedure for addressing formal and informal
20 complaints.

AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

1 **Q. In *McCloskey*, the Commonwealth Court concluded that the Commission must**
2 **address rate impact “in a general fashion” when deciding whether there is substantial**
3 **public benefit. Please address the rate impact of the Proposed Transaction.**

4 **A.** The current average monthly bill of a residential customer in Willistown, is approximately
5 \$63.63 per month. As my calculations in Appendix A demonstrate, applying 100% of the
6 revenue deficiency to the existing rates, the average bill would increase by approximately
7 \$54.64 per month or a 85.87% increase. Again, this system has characteristics that
8 demonstrate that economies of scale can be achieved as a result of this acquisition. Given
9 this fact and the fact that there are again meaningful future investments needed to address
10 deficiencies in the system, those future rate impacts could be spread across a broader
11 customer base thus moderating those future rate increases over time. Yet, while the rates
12 of the Willistown system are reasonably expected to increase, either on their own, or
13 whether acquired by the Company, the fact is that there is more flexibility and opportunity
14 to deal with those impacts over a much larger customer base. This benefits both existing
15 and acquired customers alike.

16
17 **Q. Is the impact on rates outweighed by other positive factors from the Proposed**
18 **Transaction?**

19 **A.** Yes. While there is an expectation of increased rates as a result of the Proposed
20 Transaction, this is not unexpected. Indeed, the possibility of increased rates was noted by
21 the Commonwealth Court in *McCloskey*. The positive factors from the Proposed
22 Transaction, however, outweigh the possibility of increased rates. These types of
23 transactions further a recognized legislative objective and are consistent with the

AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

Commission's consolidation/regionalization policy. The Company's Application demonstrates that there will be both tangible and intangible positive benefits that are likely realized as a result of the Proposed Transaction, including capital improvements, expense efficiencies, and economies of scale – such benefits outweigh any potential increase in rates.

VII. SECTION 1329 FAIR MARKET VALUE CONSIDERATIONS

Q. Is Aqua proposing that its Application be evaluated utilizing the Fair Market Value provisions of Section 1329 of the Code?

A. Yes. The Company's Application has been prepared with this in mind. Specifically, the Company is requesting that the ratemaking rate base of the System be based on the lesser of (i) the average of the Fair Market Value Appraisals included in the Application, or (ii) the purchase price pursuant to Section 1329 of the Code.

Q. Has Aqua prepared its Application in compliance with the Commission's Final Implementation and Final Supplemental Implementation Orders?

A. Yes. Aqua has complied with all required documentation according to the PUC's application checklist including, but not limited to, the Engineering Assessment of Assets, responses to SDRs, testimony supporting the Application, and two independent Fair Market Value appraisals.

Q. Please provide an overview of the valuation process.

AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

1 A. Following the execution of the APA, the Company and the Township agreed to engage
2 Pennoni Associates, Inc. to complete the Engineer's Assessment (Exhibit D). Both parties
3 engaged their respective UVEs to perform a Fair Market Value analysis of the system in
4 accordance with the Uniform Standards of Professional Appraisal Practice ("USPAP"),
5 utilizing the cost, market, and income approaches. Aqua engaged the services of Gannett
6 Fleming Valuation and Rate Consultants, LLC ("Gannett"), whose Fair Market Value
7 Appraisal is attached to the Application as Exhibit Q. The Township engaged the services
8 of AUS Consultants, Inc. ("AUS") and their Fair Market Value Appraisal is attached to the
9 Application as Exhibit R. Both firms have been pre-certified as authorized UVEs by the
10 PUC and are on the list of qualified appraisers maintained by the PUC.

11
12 **Q. Please describe the conclusions of the two appraisals used to determine the fair**
13 **market value of the Township's assets.**

14 A. The two appraisals used the USPAP employing the cost, market, and income approaches
15 to arrive at the fair market value of the System. The Township-sponsored appraisal
16 performed by AUS arrived at a system value of \$19,113,140. The Company-sponsored
17 appraisal performed by Gannett arrived at a system value of \$25,613,000. Therefore, the
18 fair market value as defined in Act 12 is the average of these two appraisals which is
19 \$22,363,070.

20
21 **Q. Pursuant to Section 1329 of the Code, what is the resulting rate base determination**
22 **for the System?**

AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

1 A. According to Section 1329, the ratemaking rate base is the lesser of either the purchase
2 price in the APA, which is \$17,500,000, or the fair market value which is \$22,363,070. In
3 this instance, since the purchase price is lower than the fair market value, the ratemaking
4 rate base for the System is \$17,500,000.

5
6 **Q. Please state the total of the UVE fees incurred by the Company.**

7 A. The UVE fees for the Company's appraisal received as of the date of the Application
8 totaled \$29,580. The Company's UVE fees will be included in the transaction and closing
9 costs of this Proposed Transaction as stated below.

10
11 **Q. Please explain whether you believe the UVEs' fees are reasonable?**

12 A. Based on the scope of work, the methods used as accepted industry practice, and that the
13 UVEs' collective fees were less than 5% of the fair market value benchmark noted in the
14 Final Implementation Order and Final Supplemental Implementation Order, I believe the
15 fees are reasonable. Per the Final Implementation Order, Final Supplemental
16 Implementation Order and Checklist, the contract engaging the Company's UVE, Gannett,
17 along with Gannett's invoices, are included as Exhibit S1. The contract engaging the
18 Township's UVE, AUS, along with AUS's invoices, are included as Exhibit S2.

19
20 **Q. Please comment on the transaction and closing costs?**

21 A. The Company anticipates that the transaction and closing costs will be approximately
22 \$300,000, including the Company's UVE fees. The exact costs will be determined at
23 closing.

AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

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VIII. SECTION 2102 APPROVAL

Q. Is Aqua requesting approval of an agreement between affiliates?

A. Yes. Aqua is requesting approval to assign certain municipal contracts to Aqua. As part of that request, Aqua will be taking assignment of Willistown’s rights and responsibilities under an agreement between Aqua Resources, an affiliate of Aqua, and various municipalities for transportation of wastewater, dated November 20, 2018, included in the Application as Exhibit F19 (“November 2018 Agreement”). The November 2018 Agreement is for conveyance of wastewater from six contributing municipalities through the Valley Creek Trunk Line (“VCTS”), located in Tredyffrin Township, owned by Aqua Resources. One of the contributing municipalities is Willistown. Upon assignment of Exhibit F19, the November 2018 Agreement will become an agreement between a public utility, Aqua, and an affiliate, Aqua Resources, which requires Commission approval.

Q. Does the November 2018 Agreement set forth how each party will be charged for wastewater transportation?

A. Yes. Section 9 of the November 2018 Agreement describes that each entity will be charged the amounts set forth in Schedule 9.1 of the November 2018 Agreement, and that after the first three years of the November 2018 Agreement, billings will be based on meter flows at each connection point. No changes in the charges under Section 9 and Schedule 9.1 will occur as a result of the assignment.

Q. Are the charges reasonable?

AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

1 A. Yes. I believe the charges are reasonable. The charges and the November 2018
2 Agreement being assigned were negotiated by Aqua Resources and non-affiliates of
3 Aqua and, thus, are reflective of a negotiated, market rate for the conveyance of
4 wastewater service.

5

6 **IX. CONCLUSION**

7 **Q. Does this conclude your testimony?**

8 A. Yes it does; however, I reserve the right to supplement my testimony as additional issues
9 and facts arise during the course of this proceeding.

Aqua Pennsylvania Wastewater, Inc.
WILLISTOWN sanitary sewer system

1.) WILLISTOWN sanitary sewer system		Year 1	Notes
Revenue	\$	2,083,460	
O&M		1,750,444	
Depreciation		420,955	***2.37% Composite Depreciation Rate
Taxes Other		50,827	
Income Taxes	\$	(135,329)	****21% Federal & 9.99% State
Operating Income	\$	(3,438)	
Rate Base at Fair Market Value	\$	17,500,000	
Capital Investments (Year 1)	\$	261,800	
Rate Base (Including Capital Investments less depreciation year 1)	\$	17,340,845	
Interest Expense ^		329,501	
^ Includes Interest Expense synchronized with rate base			
Required Operating Income (Rate Base x Rate of Return)	\$	1,245,965	
Operating Income Deficiency	\$	1,249,403	
Gross Revenue Conversion Factor		1.432171	
Revenue Deficiency (Excess) \$	\$	1,789,000	
Revenue Deficiency (Excess) %		85.87%	
Increase applied to Acquired (Authority) customers 70 COS%	\$	627,262	
Increase %		30.11%	
Increase applied to Acquired (Authority) customers 100%	\$	1,789,000	
Increase %		85.87%	
Increase applied to Acquired (Authority) customers 50%	\$	894,500	
Increase %		42.93%	
Increase applied to Existing (Company Wastewater) customers 50%	\$	894,500	
Increase %		1.67%	
Increase applied to Existing (Company Water) customers (Act 11)	\$	968,115	
Increase %		0.18%	

	Avg. Usage/Kgal	Estimated Monthly Increase	Estimated Percentage Increase
Valley Forge - Residential & Commercial 70% COS	4.00	\$ 19.16	30.11%
Low Pressure Customers - Residential 70% COS	4.00	\$ 19.16	30.11%
Penns Preserve - Residential 70% COS	Fixed	\$ 18.86	30.11%
East Goshen - Residential & Commercial 70% COS	Fixed	\$ 15.44	30.11%
Valley Forge - Residential & Commercial 100% COS	4.00	\$ 54.64	85.87%
Low Pressure Customers - Residential 100% COS	4.00	\$ 54.64	85.87%
Penns Preserve - Residential 100% COS	Fixed	\$ 53.80	85.87%
East Goshen - Residential & Commercial 100% COS	Fixed	\$ 44.04	85.87%
Valley Forge - Residential & Commercial 50%	4.00	\$ 27.32	42.93%
Low Pressure Customers - Residential 50%	4.00	\$ 27.32	42.93%
Penns Preserve - Residential 50%	Fixed	\$ 26.90	42.93%
East Goshen - Residential & Commercial 50%	Fixed	\$ 22.02	42.93%
Impact Existing Customers (Company Wastewater) - Residential - 50%	3.02	\$ 1.65	1.67%
Impact Existing Customers (Company Wastewater) - Commercial - 50%	21.94	\$ 5.19	1.67%
Impact Existing Customers (Company Wastewater) - Industrial - 50%	3.20	\$ 1.34	1.67%
Impact Existing Customers (Company Water) - Residential	4.08	\$ 0.14	0.18%
Impact Existing Customers (Company Water) - Commercial	37.05	\$ 0.91	0.18%
Impact Existing Customers (Company Water) - Industrial	211.51	\$ 4.28	0.18%

2.) Rate of Return		Ratio	Cost Rate	WACC
Debt		47.15%	4.03%	1.90%
Equity		52.85%	10.00%	5.29%
		100.00%		7.19%

3.) Gross Revenue Conversion Factor			
Dollar of Revenue			1.0000
Less: Gross Receipts (Revenue) Tax		0.00%	0.0000
Less: Reg Assessments		0.62%	0.0062
Less: Bad Debts		1.17%	0.0117
State Taxable Income			0.982053
State Income Tax		9.9999%	0.0982
Federal Taxable Income			0.883848772
Federal Tax Rate		21.00%	
Federal Income Tax			0.185608
Net Revenue Dollar			0.69824052992
Gross Revenue Conversion Factor			1.43217123
EFT		28.8999%	

Aqua Pennsylvania Wastewater, Inc.
Calculation of WILLISTOWN sanitary sewer system - Present Revenues

	<i>Current Rates (Qtr. Fixed Fee)</i>	<i>Current Rates (per Kgal)</i>	<i>Customers 2020</i>	<i>Method</i>	<i>Gallons 2020</i>	<i>Connections 2020</i>	<i>Revenue 2020</i>
Service Charges:							
VALLEY FORGE	\$124.66	\$5.52	1,694	quarterly per connection / vol. per Kgal	123,965,800	1,881	\$1,622,233
LOW PRESSURE CUSTOMERS	\$124.66	\$5.52	385	quarterly per connection / vol. per Kgal	22,065,300	362	\$302,308
PENNS PRESERVE	\$187.96		195	quarterly per connection		195	\$146,609
EAST GOSHEN	\$153.87		20	quarterly per connection		20	\$12,310
Total Revenue at Present Rates			2,294		146,031,100	2,458	\$2,083,460

Aqua Pennsylvania Wastewater, Inc.**Calculation of WILLISTOWN sanitary sewer system - Operating and Maintenance Expenses**

<u>OPERATING AND MAINTENANCE EXPENSES:</u>	<u>Year 1</u>
O&M Labor Exp Reg	\$ 98,342
O&M Labor Exp OT	\$ 9,834
O&M Employee Benefits	\$ 59,005
O&M Purchased WW Treatment	\$ 1,115,316
O&M Sludge Removal	\$ 117,453
O&M Purchased Power	\$ 51,000
O&M Mgmt Fees	\$ 116,943
O&M OS Lab Testing	\$ 7,500
O&M OS Engineering	\$ 10,000
O&M OS Operations	\$ 1,200
O&M OS Maintenance	\$ 100,500
O&M OS Other	\$ 5,500
O&M Supplies	\$ 8,500
O&M Other	\$ 49,350
Total O&M Expenses =>	<u><u>\$ 1,750,444</u></u>

Aqua Pennsylvania Wastewater, Inc.

Calculation of WILLISTOWN sanitary sewer system - Taxes Other Than Income

<u>TAXES OTHER THAN INCOME (PRE-RATE CASE)</u>	<u>Rate</u>	<u>Year 1</u>
Payroll Taxes (FICA, FUTA, SUTA)	8.000%	\$ 8,654
Property Taxes / (Purta)	1.400%	\$ 29,168
Regulatory Assessments	0.624%	\$ 13,005
Total		<u>\$ 50,827</u>

Docket No. R-2018-3003558

Schedule A-2
Witness: William C. Packer

AQUA PENNSYLVANIA, INC.
NUMBER OF CUSTOMERS SERVED
AND WHOSE BILLS WILL BE CHANGED

LINE NO.	CUSTOMER CLASS (1)	SERVED AT 3/31/2017 (2)	SERVED AT 3/31/2018 (3)	TO BE SERVED AT 3/31/2019 (4)	TO BE SERVED AT 3/31/2020 (5)	INCREASED BILLS (6)	DECREASED BILLS (7)	UNCHANGED BILLS (8)
1	Metered:							
2	Residential	391,514	394,192	395,423	396,654	396,654	-	-
3	Commercial	22,364	22,460	22,598	22,737	22,733	4	-
4	Industrial	781	779	776	773	773	-	-
5	Public	1,254	1,256	1,256	1,256	-	-	-
6	Bulk Water	-	-	-	-	-	-	-
7	Private Fire Protection	5,197	5,301	5,403	5,504	5,504	-	-
8	Sales to Water Utilities	17	16	16	16	-	-	-
9	Total Metered Customers	421,027	424,004	425,472	426,940	426,936	4	-
10	Other:							
11	Unmetered	903	943	943	943	943	-	-
12	Availability Charge	2,801	2,769	-	-	-	2,769	-
13	Public Fire Protection	263	263	263	263	263	-	-
14	Private Fire Protection	768	779	779	779	779	-	-
15	Total Customers	425,760	428,758	427,457	428,925	428,921	2,773	-

Docket No. R-2018-3003561

Schedule A-2
Witness: William C. Packer

AQUA PENNSYLVANIA WASTEWATER, INC.
NUMBER OF CUSTOMERS SERVED
AND WHOSE BILLS WILL BE CHANGED

LINE NO.	CUSTOMER CLASS (1)	SERVED AT 3/31/2017 (2)	SERVED AT 3/31/2018 (3)	TO BE SERVED AT 3/31/2019 (4)	TO BE SERVED AT 3/31/2020 (5)	INCREASED BILLS (6)	DECREASED BILLS (7)	UNCHANGED BILLS (8)
1	Residential	16,062	17,051	17,051	17,051	16,981	-	70
2	Commercial	1,324	1,469	1,469	1,469	1,427	42	-
3	Industrial	1	1	1	1	-	-	-
4	Public	38	40	40	40	40	-	-
5	Miscellaneous	-	-	-	-	-	-	-
6	Availability Charge	449	446	-	-	-	446	-
7	Total Customers	17,894	19,007	18,961	18,961	18,449	488	70
ADD Limerick Res Com					4,892			
Ind					315			
ADD East Bradford Res					1,213			
Com					33			
Ind					2			
ADD Cheltenham Res					9648			
Com					534			
Ind					14			
Pub					23			
ADD New Garden Res					1916			
Com					190			
ADD East Norriton Res/Com					4066			
Total Existing WW Customers					42,297			

Wastewater Settlement Revenues => Exhibit 1(b) from 2018/2019 APWW Rate Case =>	\$ 17,820,976
Add East Bradford WW	\$ 1,082,402
Add Limerick WW	\$ 4,771,000
Add Cheltenham WW	\$ 7,321,878
Add New Garden	\$ 2,620,039
Add East Norriton	\$ 3,315,000
Total Existing WW Revenues	

Docket No. R-2018-3003558

Water Settlement Revenues => Exhibit 1(b) from 2018/2019 APWW Rate Case =>	\$ 473,763,919
Residential	\$ 307,623,471
Commercial	\$ 111,880,600
Industrial Revenues	\$ 16,460,317
Total Existing Water Revenues (Res, Com, & Ind classes)	

AQUA PENNSYLVANIA, INC.

1-A(a) WATER AND 1-B(b) WASTEWATER REVENUE REQUIREMENT - SUMMARY

	Total Company	Water Operations	Wastewater Operations
Present Rate Revenue	\$ 444,858,981	\$ 431,415,676	\$ 13,443,305
Additional Revenue Requirement	47,002,319	35,263,332	11,738,987
Act 11 Allocation (1)	-	7,261,316	(7,261,316)
Proposed Revenues	\$ 491,861,300	\$ 473,940,324	\$ 17,920,976
Rate Increase/(Decrease) - \$	\$ 47,002,319	\$ 42,524,648	\$ 4,477,671
Rate Increase/(Decrease) - %	10.57%	9.86%	33.31%

Notes:
(1) The allocation between wastewater operations and water operations is achieved by the proposed consolidation of water and wastewater revenue requirements to derive the water and wastewater rates proposed by the Company in this case.

Aqua Pennsylvania, Inc
Residential Average Monthly Bill Comparison - Wastewater
Docket Nos. A-2018-3004108, A-2018-3004109, R-2018-3003558 and R-2018-3003561

	<u>Current Division</u>	<u>New Rate Zone</u>	<u>Avg Consumption</u>	<u>Present Rates</u>	<u>Settlement Rates</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Metered Number of Bills</u>	<u>Metered & Unmetered Number of Bills</u>
1	Bridlewood Division	1	4,100	43.04	67.48	24.44	56.79%	3,908	3,908
2	CS Sewer Division (Masthope)	6	1,300	28.99	40.94	11.95	41.22%	15,517	15,578
3	Deerfield Knoll Division	3	3,000	57.87	71.50	13.63	23.55%	1,426	1,426
4	Eagle Rock Division	1	1,900	39.67	45.44	5.77	14.54%	11,704	11,716
5	East Bradford Division	5	5,400	106.43	125.84	19.41	18.24%	972	972
6	Laurel Lakes Division	3	4,200	51.49	81.70	30.21	58.67%	2,348	2,372
7	Links at Gettysburg Division	3	2,700	63.58	68.95	5.37	8.45%	2,046	2,046
8	Little Washington Division	5	3,400	98.05	106.64	8.59	8.76%	4,152	4,164
9	Media Division	1	4,200	42.19	62.92	20.73	49.13%	20,733	20,773
10	Newlin Green Division	5*	6,500	158.75	158.75	0.00	0.00%	588	588
11	Peddlers View Division	4	4,100	78.44	100.95	22.51	28.70%	2,564	2,564
12	Penn Township Division	1B	3,400	40.70	55.00	14.30	35.14%	3,148	3,148
13	Plumsock Division	5	5,300	107.12	124.88	17.76	16.58%	456	456
14	Rivercrest Division	2	3,200	45.22	61.92	16.70	36.93%	5,785	5,869
15	Stony Creek Division	3	2,500	54.86	67.25	12.39	22.58%	2,558	2,558
16	The Greens at Penn Oaks Division	5	3,500	106.38	107.60	1.22	1.15%	838	850
17	Thornhurst Division	3	2,600	52.36	68.10	15.74	30.06%	3,538	3,538
18	Treasure Lake Division	1A	3,000	40.52	49.90	9.38	23.15%	25,259	25,590
19	Twin Hills Division	4	4,200	70.15	101.90	31.75	45.26%	3,947	3,947
20	White Haven Division	2	2,900	47.07	59.49	12.42	26.39%	5,568	5,736
21	Willistown Woods Division	3	3,100	54.92	72.35	17.43	31.74%	8,888	8,888
22	Woodloch Springs Division	3	2,000	51.87	63.00	11.13	21.46%	4,907	4,987
23	Beech Mountain Lakes Division	3	Unmetered	56.04	80.00	23.96	42.76%		11,234
24	Bunker Hill Subdivision	1A	Unmetered	31.92	56.20	24.28	76.07%		790
25	Emlenton Borough Division	2	Unmetered	45.00	68.40	23.40	52.00%		4,416
26	Honeycroft Village Division	4	Unmetered	66.67	100.00	33.33	49.99%		1,250
27	Lake Harmony Division	4	Unmetered	65.63	100.00	34.37	52.37%		12,033
28	New Daleville Division	4	Unmetered	74.17	100.00	25.83	34.83%		1,272
29	Pinecrest Division	2	Unmetered	\$44.28	\$68.40	\$24.12	54.48%		4,002
30	Tobyhanna Township Division	4	Unmetered	66.67	100.00	33.33	49.99%		6,453
31	Sage Hill	5*	Unmetered	180.00	180.00	0.00	0.00%		251
			WEIGHTED AVERAGE Metered	3,018	62.09				
			WEIGHTED AVERAGE ALL		68.27				

5* - Special Charges have been assigned to these divisions within Rate Zone 5.

All Residential Customers are charged a customer charge on an EDU basis with the exception of the Media and Treasure Lake Divisions, which are charged a customer charge based on the appropriate meter size of the applicable Rate Zone. Media and Treasure Lake rates above represent a 5/8" meter.

Pinecrest Division's Present Rate is based on the weighted average of the present rates of all customers both inside Pinecrest and outside Pinecrest.

Bridlewood Division's Average Consumption and Present Rate are based on the weighted average of both townhome and single family home customers.

As per the Asset Purchase Agreement, the Tobyhanna Division rate increase will not become effective until January 1, 2020.

Aqua Pennsylvania, Inc
Commercial Average Monthly Bill Comparison - Wastewater
Docket Nos. A-2018-3004108, A-2018-3004109, R-2018-3003558 and R-2018-3003561

	<u>Current Division</u>	<u>New Rate Zone</u>	<u>Avg Consumption</u>	<u>Present Rates</u>	<u>Settlement Rates</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Number of Bills</u>
1	CS Sewer Division (Masthope)	6	24,800	41.33	64.44	23.11	56%	96
2	Eagle Rock Division	1	11,700	52.02	124.92	72.90	140%	323
3	Links at Gettysburg Division	3	20,000	216.93	216.00	-0.93	0%	24
4	Media Division	1	15,700	111.87	150.32	38.45	34%	3,388
5	Penn Township Division	1B	88,800	873.10	955.50	82.40	9%	507
6	Rivercrest Division	2	12,200	92.66	134.82	42.16	45%	108
7	The Greens at Penn Oaks Division	5	78,400	798.26	1,122.64	324.38	41%	12
8	Tobyhanna Township Division	4	9,600	86.00	153.20	67.20	78%	1,449
9	Treasure Lake Division	1A	31,700	153.53	230.71	77.18	50%	382
10	Village at Valley Forge Division	1A	144,500	1,054.42	1,220.35	165.93	16%	243
11	White Haven Division	2	5,700	50.60	82.17	31.57	62%	463
12	Willistown Woods Division	3	3,200	55.23	73.20	17.97	33%	1,428
13	Woodloch Springs Division	3	117,000	62.62	71.50	8.88	14%	98
14	Avon Grove School District	5*	Unmetered	6,625.00	8,281.25	1,656.25	25%	
15	Beech Mountain Lakes Division	3	Unmetered	69.74	80.00	10.26	15%	
16	Bridlewood Division	1	Unmetered	38.42	61.40	22.98	60%	
17	Emlenton Borough Division	2	Unmetered	45.00	68.40	23.40	52%	
18	Honeycroft Rillage Division	4	Unmetered	466.69	700.00	233.31	50%	
19	Lake Harmony Division	4	Unmetered	65.63	100.00	34.37	52%	
20	Pinecrest Division	2	Unmetered	\$52.32	\$68.40	16.08	31%	
WEIGHTED AVERAGE - METERED ONLY			21,936		214.73			

5* - Special Charges have been assigned to these Divisions within Rate Zone 5.

All Residential Customers are charged a customer charge on an EDU basis with the exception of the Media and Treasure Lake Divisions, which are charged a customer charge based on the appropriate meter size of the applicable Rate Zone. Media and Treasure Lake rates above represent a 5/8" meter.

Bridlewood Division's Present Rate and Settlement Rate are based on the weighted average of the EDU rate charged to the 2 commercial customers.

Woodloch Springs Division's Present Rate and Settlement Rate are based on the customer charge per EDU.

As per the Asset Purchase Agreement, the Tobyhanna Division rate increase will not become effective until January 1, 2020.

Aqua Pennsylvania, Inc
Industrial Average Monthly Bill Comparison - Wastewater
Docket Nos. A-2018-3004108, A-2018-3004109, R-2018-3003558 and R-2018-3003561

	<u>Current Division</u>	<u>New Rate Zone</u>	<u>Meter Size</u>	<u>Avg Consumption</u>	<u>Present Rates</u>	<u>Settlement Rates</u>	<u>\$ Change</u>	<u>% Change</u>
7	Media Division [REDACTED]	1	5/8"	3,200	36.13	55.32 [REDACTED]	19.19	53%

Aqua Pennsylvania, Inc
Residential Average Monthly Bill Comparison - Water
Docket Nos. A-2018-3004108, A-2018-3004109, R-2018-3003558 and R-2018-3003561

	<u>Current Division</u>	<u>New Rate Zone</u>	<u>Present Rates*</u>	<u>Settlement Rates*</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Number of Bills</u>	<u>Consumption</u>	<u>Average Gallons</u>
1	Main Division Eagle Rock, Fawn Lake, Langewood, Thornhurst, Woodledge Village, Western	1	\$59.85	\$65.52	\$5.67	9.47%	4,173,338	172,154,838	4,125
2	& Pinecrest Divisions	3	59.85	65.52	5.67	9.47%	36,516	737,618	2,020
3	Bensalem Division	1	55.80	65.52	9.72	17.42%	179,147	7,534,487	4,206
4	Chalfont Division	2	47.27	65.52	18.25	38.61%	25,821	1,021,170	3,955
5	Oakland Beach/Lakeside Acres Division	3	57.04	65.52	8.48	14.87%	11,344	261,978	2,309
6	CS Water Division (Masthope)	3	49.36	65.52	16.16	32.74%	15,615	204,095	1,307
7	Country Club Gardens Division	1	40.29	52.98	12.69	31.50%	4,979	223,135	4,482
8	Clarendon Water Division	1	51.05	65.52	14.47	28.34%	3,407	109,345	3,210
9	Kratzerville Division	1	52.29	65.52	13.23	25.30%	1,727	58,671	3,398
10	Honesdale Division	1	52.20	65.52	13.32	25.52%	17,272	632,741	3,663
11	Sand Springs Division	1	40.73	52.98	12.25	30.08%	5,023	168,199	3,349
12	Mifflin Township Division	1	37.11	50.64	13.53	36.46%	5,606	176,827	3,154
13	Beech Mountain Lakes Division	1	21.45	31.73	10.28	47.93%	11,187	369,388	3,302
14	Treasure Lake Division	2	27.20	40.15	12.95	47.61%	25,311	765,777	3,026
15	Concord Park Division	2	30.88	43.91	13.03	42.20%	1,980	77,030	3,890
16	Bristol Township Water System Division	1	24.24	38.40	14.16	58.42%	5,089	226,795	4,457
17	Mt Jewett Borough Division	1	45.95	65.52	19.57	42.59%	4,832	155,007	3,208
18	Bunker Hill Subdivision	Bunker Hill	12.88	26.36	13.48	104.66%	779	31,897	4,097
19	Robin Hood Lakes Division	1	40.16	53.09	12.93	32.20%	2,397	67,756	2,826
20	East Cameron Division	1	57.02	65.52	8.50	14.91%	609	12,076	1,982
21	Sun Valley Division**	Sun Valley	15.00	19.50	4.50	30.00%			
22	Superior Water Company	2	57.02	65.52	8.50	14.91%	47,018	2,045,060	4,350
WEIGHTED AVERAGE				65.20					4,080

*Residential water rates are based on 5/8" meter and an average consumption of 4,080 gallons per month for all divisions.

**Sun Valley customers are flat rate, unmetered customers.

Aqua Pennsylvania, Inc
Commercial Average Monthly Bill Comparison - Water
Docket Nos. A-2018-3004108, A-2018-3004109, R-2018-3003558 and R-2018-3003561

	<u>Current Division</u>	<u>New Rate Zone</u>	<u>Meter Size</u>	<u>Avg Consumption</u>	<u>Present Rates</u>	<u>Settlement Rates</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Number of Bills</u>
1	Main Division Eagle Rock, Fawn Lake, Tanglewood, Thornhurst, Woodledge Village, Western & Pinecrest Divisions	1	5/8"	37,800	\$380.00	\$419.63	\$39.63	10.43%	236,233
2	Bensalem Division	3	5/8"	13,800	171.34	186.73	15.39	8.98%	665
3	Chalfont Division	1	5/8"	50,700	468.54	531.51	62.97	13.44%	15,289
4	Oakland Beach/Lakeside Acres Division	2	5/8"	7,100	70.32	102.49	32.17	45.75%	1,678
5	CS Water Division (Masthope)	3	5/8"	5,500	84.39	93.45	9.06	10.74%	381
6	Country Club Gardens Division	3	5/8"	42,300	426.00	468.66	42.66	10.01%	57
7	Clarendon Water Division	1	5/8"	33,900	271.22	333.27	62.05	22.88%	11
8	Kratzerville Division	1	5/8"	9,900	93.91	135.81	41.90	44.62%	252
9	Honesdale Division	1	5/8"	7,600	82.56	108.44	25.88	31.35%	23
10	Sand Springs Division	1	5/8"	12,600	133.84	164.18	30.34	22.67%	3,789
11	Mifflin Township Division	1	2"	40,800	309.80	523.34	213.54	68.93%	12
12	Beech Mountain Lakes Division	1	5/8"	19,600	112.70	174.80	62.10	55.10%	369
13	Treasure Lake Division	1	5/8"	23,000	51.34	95.40	44.06	85.82%	60
14	Concord Park Division	2	5/8"	30,800	121.26	185.24	63.98	52.76%	393
15	Bristol Township Water System Division	2	4"	487,300	2,226.92	3,381.86	1,154.94	51.86%	12
16	Mt Jewett Borough Division	1	5/8"	14,800	116.15	146.76	30.61	26.35%	1,785
17	East Cameron Division	1	5/8"	2,200	33.07	44.18	11.11	33.60%	444
20	Superior Water Company	1	3/4"	300	50.00	34.04	(15.96)	-31.92%	28
22		2	5/8"	8,400	99.18	117.96	18.78	18.94%	1,077
WEIGHTED AVERAGE				37,047		409.72			

Aqua Pennsylvania, Inc
Industrial Average Monthly Bill Comparison - Water
Docket Nos. A-2018-3004108, A-2018-3004109, R-2018-3003558 and R-2018-3003561

	<u>Current Division</u>	<u>New Rate Zone</u>	<u>Meter Size</u>	<u>Avg Consumption</u>	<u>Present Rates</u>	<u>Settlement Rates</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Number of Bills</u>
1	Main Division	1	5/8"	231,500	\$1,897.56	\$2,099.59	\$202.03	10.65%	8,254
3	Bensalem Division	1	1"	53,500	523.48	590.30	66.82	12.76%	853
4	Chalfont Division	2	2"	37,000	358.73	484.19	125.46	34.97%	57
5	Oakland Beach/Lakeside Acres Division	3	5/8"	76,500	691.26	765.28	74.02	10.71%	12
10	Honesdale Division	1	5/8"	23,200	222.27	275.01	52.74	23.73%	72
17	Mt Jewett Borough Division	1	1"	600	22.11	59.64	37.53	169.74%	24
WEIGHTED AVERAGE				211,513		1,930			